

THE IMPACT OF LEADERSHIP STYLES ON ORGANIZATIONAL LEARNING IN NORTH MACEDONIAN ENTERPRISES

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Abstract

The primary objective of this paper is to conduct an empirical investigation into the effects of three specific leadership styles proposed by Lewin's leadership theory on the process of organizational learning within private-sector businesses operating in the Republic of North Macedonia. The study will utilize cross-sectional data for analysis and evaluation. This research relies on primary data, whereas for the estimating purpose, Structural Equation Modeling (SEM) was employed to investigate the influence of leadership styles on organizational learning. The results of the analysis show that autocratic and democratic leadership styles have a positive impact on organizational learning. In contrast, the effect of the laissez-faire style on organizational learning is negative but significant. This research study is anticipated to provide a significant contribution to the existing literature by conducting an empirical investigation into the relationship between Lewin's leadership styles and organizational learning. As a result, the study will enhance the empirical evidence available in this field. From a practical standpoint, organizations can effectively implement democratic leadership leading to significant improvements in organizational learning processes.

Keywords: autocratic leadership style, democratic leadership style, laissez-faire leadership style, organizational learning, internal processes

1. Introduction

In the current business environment, it is crucial for human capital to possess flexibility and adaptability to succeed, and a leader's behavior can significantly impact how employees within an organization develop their skills to meet these demands. Leaders hold great responsibility in encouraging employees within the organization to increase performance, motivation, and organizational commitment (Nafei et al., 2012). According to Jones (2013), organizational learning includes the efforts of managers to raise the level of skills of employees by creating space for managing the organization effectively. Organizational learning represents a dynamic process that enables organizations to quickly adapt to changes, leading to the development of new capabilities that will improve the overall organization's efficiency (Alsabbagh & Khalil, 2016).

Limited research has been conducted on the extent to which leadership styles affect organizational learning in enterprises based in North Macedonia. Consequently, there exists a significant dearth of both theoretical and empirical studies in this field. Based on the previous literature there exist different leadership styles (Bass, 1990; Lewin et al., 1939; Yukl, 1989, Avolio 2009). This study compares these three different leadership styles, two of which are quite extreme (autocratic and laissez-faire styles) on one side and the other side the democratic style. The democratic style features more two-way communication between leaders and followers compared to the one-way communication style often seen within autocratic leadership. Whereas, Laissez-faire leaders are completely restrained when it comes to how followers perform their tasks and provide followers with decision-making authority Lewin et al., (1939). While many leadership styles have emerged and will continue to emerge, most if not all are rooted in one of the three categories of Lewin et al. (1939).

Given the aforementioned circumstances, this research aims to evaluate the role of three main leadership styles in the growth of organizational learning in private sector businesses of the Republic of North Macedonia.

The study has divided leadership styles into three categories: autocratic, democratic, and laissez-faire style building on the current theory of Kurt Lewin, which will be treated as explanatory variables of organizational learning.

Based on the research problem, the research questions are as follows:

What is the relationship between different leadership styles and organizational learning in private-sector businesses in the Republic of North Macedonia?

Which style is most effective for increasing learning and growth?

The research hypotheses based on the purpose and research questions are as follows:

H1: Autocratic leadership style has an impact on organizational learning

H2: Democratic leadership style has an impact on organizational learning

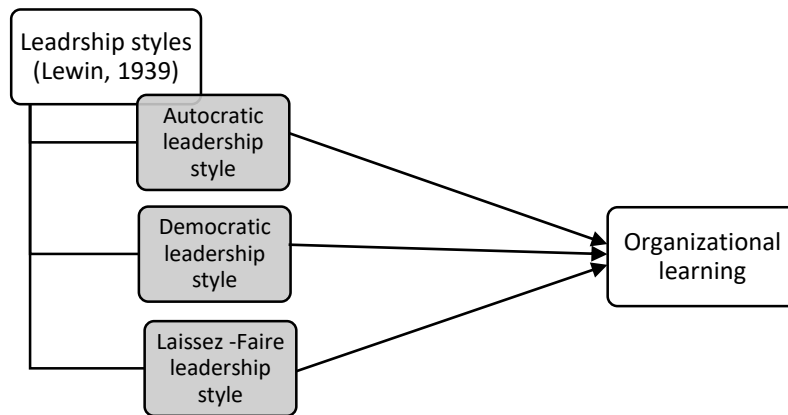
H3: Laissez-faire leadership style has an impact on organizational learning

The research paper is divided into four sections. In the first section, we conduct a literature review that explores the relationship between leadership styles and organizational learning. Here, we analyze the empirical findings of various authors and identify gaps in the existing literature. The second section outlines the methodology employed in the research process and presents the model used in the study. In the third section, we present empirical results, compare our findings with other studies in the field, and address the gaps in the literature. The final section of the paper discusses our findings and provides a conclusion for the research.

2. Literature review

In this competitive environment, organizational knowledge is a critical factor for achieving optimal organizational success. A key strategy for acquiring necessary knowledge is to establish organizational structures, mechanisms, and processes that facilitate learning Imamoglu, et al., (2015). Organizational learning is a continuous and dynamic process that empowers organizations to rapidly adapt to market changes (Alsabbagh & Khalil, 2016). As a result of this process, organizations develop new behaviors and skills, which serve as primary tools for generating knowledge and increasing organizational efficiency. Whereas, leadership is considered a social process between the leader and the followers (Sadler, 2003)

The leader's approach to employees is critical to fostering internal processes that prioritize knowledge sharing, learning, and growth. Generally, leaders have a great influence on the learning processes within the organization while, according to Berson et al., (2006), leaders guide followers towards the common processes and the organization's goal, they support and encourage employees to explore, they have a strong influence on group work by encouraging learning between them. According to Imamoglu, et al., (2015), leaders are responsible for designing, implementing, and overseeing the learning infrastructure and strategies that support the development of learning skills among team members. However, the effectiveness of leadership styles in achieving learning goals can vary. Also, the leadership styles that have been studied are different, however, there are enough similarities that allow us a close classification scheme. For more, Gandolfi & Stone, (2017) in their paper clarify the connection between the leadership styles categorized by other authors over the years and the main styles according to Lewin et al., (1939). Most researchers connect their work with Kurt Lewin's categorization of three main leadership styles such as autocratic style, democratic style, and laissez-faire style. The three classical leadership styles can be identified as authoritarian leaders instruct their employees on what to do without seeking their involvement, democratic leaders who involve their employees in decision-making processes, and laissez-faire leaders who allow their employees to work independently without providing guidance (Lewin et al., 1939).



Conceptual framework

While much attention has been paid to the relationship between transformational and transactional leadership styles and organizational learning, studies on autocratic, democratic, and laissez-faire styles are almost not available. Empirical studies on the relationship between leadership styles and organizational learning are limited. On the other hand, there is a significant lack of research on this specific issue in North Macedonia. However, regarding the research, we will conduct a comprehensive review of empirical studies that have utilized different categorizations of leadership styles as explanatory variables and have examined their relationship with organizational learning.

Alsabbagh and Khalil (2016) in a study of the relationship between transformational, and transactional leadership styles and organizational learning found a positive impact of both leadership styles on organizational learning.

Similarly, Megheirkouni (2017) investigated the effects of two leadership styles, transformational and transactional on organizational learning in UK enterprises, discovering a strong influence of both styles on the process of organizational learning.

Singh (2010) studied the influence of several leadership styles on organizational learning where was found that the advisory and delegating styles positively influence the growth of organizational learning, while the directive leadership style and the supportive style decrease the opportunity for organizational learning. Elshanti 2017, in a study about the relationship between transformational leadership style and organizational learning, found a positive relationship.

Despite the scarcity of empirical studies investigating the relationship between leadership styles and organizational learning, existing research provides that the leader's behavior has an impact on the process of organizational learning to a certain degree.

3. Methodology

The research was conducted through primary data with a sample size of N=110. The sample consists of North Macedonian enterprises, randomly gathered using a standardized questionnaire by the authors of the field. The questionnaire contains questions for each variable and is divided into three sections. The first section includes the demographic characteristics of leaders or managers. The second part includes questions about the leadership style adapted by the author Northouse (2018). Next, the last part contains questions for organizational learning.

For structural relationship analysis among observed variables, the PLS-SEM model was used, which is suitable for multivariate analysis. PLS-SEM analysis aims to evaluate the relationships between multiple variables in the study (Wright 1918) and cause-effect relationships among variables (Hair et al., 2014).

4. Empirical analysis

To assess the proposed model, a Structural Equation Modeling (SEM) approach is employed. As can be seen in Figure 1. the R2 is 32% which means that 32% of organizational learning is explained by leadership styles. Table no. 1 shows construct reliability and validity such as Cronbach alpha, rho_a, rho_c, and average variance extracted. As shown in Table No. 1, all the values are at the acceptance level. Cronbach alpha for autocratic leadership style is $\alpha=0.737$; for democratic style is $\alpha=0.718$; for laissez-faire is $\alpha=0.606$; for organizational learning is $\alpha=0.867$. Composite reliability tests such as Dijkstra- Henseler's rho (ρ_A) and Jöreskog's rho (ρ_c) are in the range of 0.619 to 0.908.

To further validity analysis, Convergent validity was measured for each construct, and as previous literature suggests the value of AVE should be .50 or higher (Hair et al., 2011). As shown in Table no.1, the AVE for the autocratic leadership style is 0.538 for the democratic style is 0.546 for the laissez-faire style is 0.555, and for organizational learning is 0.712.

Table 2. shows the Vector Inflation Factor values for each item of the constructs, so all the values are below level 5, which presents that between variables doesn't exist collinearity problem. Table no. 3 presents the goodness of fit indicators, including SRMR, (Standardized Root Mean Square Residual). According to Hu and Bentler (1999), a value < 0.10 or < 0.08 is considered an indication of a good fit for the model.

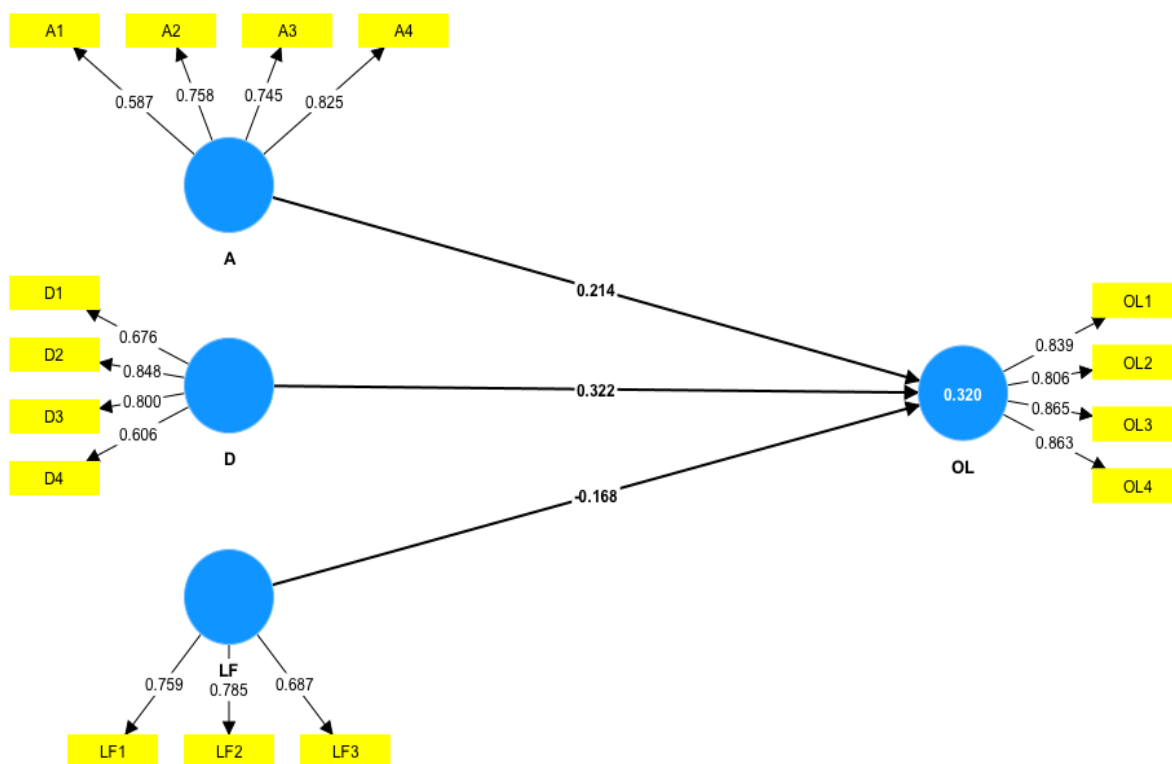


Figure 1. PLS-SEM Model

Note: The constructs that are placed on the left side are considered exogenous constructs that describe the leadership styles (autocratic, democratic, and laissez-faire style), while on the right side is the endogenous construct that includes organizational learning

Table 1. Cronbach alpha, Convergent validity, Composite reliability

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
A	0.737	0.798	0.821	0.538
D	0.718	0.760	0.825	0.546
LF	0.606	0.619	0.789	0.555
LG	0.867	0.899	0.908	0.712

Table 2. Collinearity (VIF)

Items	VIF
A1	1.437
A2	1.402
A3	1.604
A4	1.342
D1	1.383
D2	1.666
D3	1.523
D4	1.173
LF1	1.220
LF2	1.183
LF3	1.226
LG1	2.128
LG2	2.148
LG3	2.671
LG4	1.903

Table 3. Goodness of fit

	Saturated model	Estimated model
SRMR	0.094	0.094
d_ ULS	1.071	1.071
d_ G	0.332	0.332
NFI	0.665	0.665

3.1 *Structural relationships and hypotheses testing*: As shown in Table 2. path coefficients, t statistics, and p values were estimated using Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze the relationships between variables. The structural relationships between the autocratic leadership style and organizational learning, the democratic leadership style and organizational learning, as well as the laissez-faire leadership style and organizational learning, were examined.

Table 4. Structural relationships between variables

Structural relationships between variables	Path coefficients	T statistics (O/STDEV)	P values
A -> OL	0.214	2.251	0.024
D -> OL	0.322	3.166	0.002
LF -> OL	-0.168	2.031	0.042

H1: Autocratic leadership style has an impact on organizational learning

The findings in Table No. 4 show that the path coefficient for the relationship between autocratic style and organizational learning is 0.214 with a corresponding p value of 0.024 and a t value of 2.251. Regarding the first hypothesis, based on the values mentioned, we can say that this hypothesis is supported. Hence, autocratic leadership style has a positive impact on organizational learning.

H2: Democratic leadership style has an impact on organizational learning

As shown in Table no. 4 the democratic leadership style also has a positive impact on organizational learning with a path coefficient of 0.322, p-value of 0.002, and t-value of 3.166, hence the second hypothesis is supported.

H3: Laissez-faire leadership style has an impact on organizational learning

Regarding the third hypothesis, the p-value is 0.042, accompanied by a path coefficient of -0.0168 and a t-value of 2.031. Consequently, the third hypothesis is supported, indicating that the laissez-faire leadership style impacts organizational learning. However, it should be noted that this impact is negative, as evidenced by the path coefficient of -0.0168. Therefore, the presence of the laissez-faire style is associated with a decrease in organizational learning.

5. Conclusion

The research aims to evaluate the influence of leaders or managers in leadership positions on the organizational learning of private-sector businesses in North Macedonia. By examining the behavior of leaders, it has been revealed that leadership styles play a crucial role in explaining organizational learning, thereby fostering and facilitating learning opportunities.

The second research question pertains to identifying the most effective leadership style for fostering and improving learning and growth. Regarding investigated leadership styles, it becomes evident that the democratic leadership style emerges as the most influential in enhancing organizational learning. Besides, the

autocratic style also has a positive impact on organizational learning, although the magnitude of this impact compared to the democratic style is lower. Conversely, the laissez-faire style has been identified to have a negative effect on organizational learning. This implies that the more characteristics of the laissez-faire style the leader possesses, the more the organizational learning process tends to decrease.

The limitation of the study can be considered as the fact that the analysis of leadership styles on organizational learning was evaluated only from the perspective of the leaders. A two-way approach of both leaders and employees would have had more objective results

Based on the findings, the practical implication of the study is the development of a business model to improve organizational learning by adapting the leadership style with the highest positive impact on organizational learning.

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